



## POSTAL REGULATORY COMMISSION

### 39 CFR Part 3030

[Docket No. RM2022-12; Order No. 6244]

#### Application for Waiver of Workshare Discount

**AGENCY:** Postal Regulatory Commission.

**ACTION:** Application for waiver; comment request.

**SUMMARY:** The Commission is acknowledging a Postal Service application for waiver pursuant to Commission regulations as it relates to a workshare discount. This document informs the public of the filing, invites public comment, and takes other administrative steps.

**DATES:** *Comments are due:* August 16, 2022.

**ADDRESSES:** Submit comments electronically via the Commission's Filing Online system at <https://www.prc.gov>. Those who cannot submit comments electronically should contact the person identified in the **FOR FURTHER INFORMATION CONTACT** section by telephone for advice on filing alternatives.

**FOR FURTHER INFORMATION CONTACT:** David A. Trissell, General Counsel, at 202-789-6820.

#### SUPPLEMENTARY INFORMATION:

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##### I. Introduction

On August 8, 2022, the Postal Service filed an application for waiver pursuant to 39 CFR 3030.286 requesting that the Commission waive the

applicability of 39 CFR 3030.283 for the workshare discount associated with USPS Marketing Mail Carrier Route Flats dropshipped at the Destination Delivery Unit (DDU) in the next rate adjustment filing.<sup>1</sup>

## **II. Background**

Pursuant to 39 CFR 3030.283, a workshare discount proposed by the Postal Service in any rate adjustment filing that exceeds the cost avoided must either be associated with a new postal service, a change to an existing postal service, or a new workshare initiative; be at least a 20 percent decrease from the existing workshare discount; or provided in connection with a subclass of mail, consisting exclusively of mail matter of educational, cultural, scientific, or informational value (39 U.S.C. 3622(e)(2)(C)) and is in compliance with 39 CFR 3030.285(c).<sup>2</sup>

If the proposed workshare discount does not comply with the limitations of 39 CFR 3030.283, the Postal Service must file an application for waiver pursuant to 39 CFR 3030.286. See 39 CFR 3030.283(d); 39 CFR 3030.286. The Postal Service's waiver application must be supported by a preponderance of the evidence and demonstrate that a waiver from the limitations imposed by 39 CFR 3030.283 should be granted. See 39 CFR 3030.286(b). The Postal Service must include the grounds for a waiver, including all relevant supporting analysis; the length of time the waiver will be necessary; for each subsequent rate adjustment filing planned to occur during the length of time for which a waiver is sought, a representation of the proposed minimum amount of the change to the

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<sup>1</sup> United States Postal Service Application for a Waiver Under 39 CFR § 3030.286, August 8, 2022 (Application). The Postal Service's Application is accompanied by a Statement in Support of Waiver Application (Supporting Statement).

<sup>2</sup> See 39 CFR 3030.283. The relationship between workshare discounts and avoided costs is usually expressed as a percentage called a passthrough, which is calculated by dividing the discount by the avoided cost. Workshare discounts with passthroughs above 100 percent are considered excessive workshare discounts.

workshare discount; and any other relevant information. See *also* 39 CFR 3030.286(c)(1) through (3) and (8). Grounds for waiver for an excessive workshare discount and the required accompanying information are set forth in 39 CFR 3030.286(c)(4) through (7).<sup>3</sup>

### **III. Application for Waiver**

The Postal Service requests a waiver of 39 CFR 3030.283 for the workshare discount associated with USPS Marketing Mail Carrier Route Flats dropshipped at the DDU in the next rate adjustment proceeding to be filed no sooner than October 7, 2022. Application at 1. The Postal Service states that the methodology used in calculating passthroughs for USPS Marketing Mail flat-shaped pieces results in volatile passthrough percentages, making compliance with 39 CFR 3030.283 difficult. Application, Supporting Statement at 3. It further states that, to overcome this volatility and comply with 39 CFR 3030.283, would require irrational pricing. *Id.* at 6-7. The Postal Service illustrates this issue in a worksheet that accompanies the Supporting Statement. *Id.* at 7; see *also* Excel file “RM2022-12 Waiver.xlsx.”

The Postal Service maintains that its waiver request should be granted for three reasons. First, the Postal Service intends to “seek approval of prices that will minimize non-compliance and its consequences” and would be limited to the passthrough for USPS Marketing Mail Carrier Route Flats pieces dropshipped at the DDU. Application, Supporting Statement at 8. Furthermore, it states that, because the volume of these pieces is relatively low, “the cost of [ ] non-compliance is only approximately, \$200,000...and that amount will inure to the

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<sup>3</sup> Grounds for waiver for an excessive cost workshare discount relate to rate shock; the impediment of efficient postal operations; a loss of volume in the affected category of mail and a reduction in the aggregate contribution to the Postal Service's institutional costs from the mail that is subject to the discount; and non-compensatory products. See 39 CFR 3030.286(c)(4) through (7).

benefit of the mailers in any event.” *Id.* Second, the Postal Service maintains that compliance with 39 CFR 3030.283 would require irrational pricing due to “happenstance,” and not “the result of any failure of effort, planning, or implementation by the Postal Service.” *Id.* at 8-9. Finally, the Postal Service believes additional waivers of this nature for USPS Marketing Mail Flats will not be necessary beyond the next rate adjustment proceeding. *Id.* at 9. This is because the Postal Service is “investigating structural changes in [the] pricing of flat- and parcel-shaped pieces leading to a simplified methodology in the calculation of passthroughs.” *Id.*

For these reasons, the Postal Service seeks to set the workshare discount associated with USPS Marketing Mail Carrier Route Flats pieces dropshipped at the DDU above the avoided costs such that the workshare discount’s passthrough is 105.0 percent. *Id.* at 8.

#### **IV. Notice and Comment**

The Commission establishes Docket No. RM2022-12 for consideration of matters raised by the Application. More information on the Application may be accessed via the Commission’s website at <https://www.prc.gov>. Interested persons may submit comments on the Application no later than August 16, 2022. Pursuant to 39 U.S.C. 505, Katalin K. Clendenin is designated as an officer of the Commission (Public Representative) to represent the interests of the general public in this proceeding.

#### **V. Ordering Paragraphs**

*It is ordered:*

1. The Commission establishes Docket No. RM2022-12 for consideration of the matters raised by the United States Postal Service Application for a Waiver Under 39 CFR 3030.286, filed August 8, 2022.

2. Comments by interested persons in this proceeding are due no later than August 16, 2022.

3. Pursuant to 39 U.S.C. 505, the Commission appoints Katalin K. Clendenin to serve as an officer of the Commission (Public Representative) to represent the interests of the general public in this docket.

4. The Secretary shall arrange for publication of this order in the **Federal Register**.

By the Commission.

**Jennie L. Jbara,**

*Alternate Certifying Officer*

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